

The differences with reasons between the Bank's corporate governance and the Corporate Governance Best-Practice Principles for the Banking Industry.

Evaluation Items	Implementation Status			Difference from the common requirements
	Y	N	Interpretation	
1. Structure of the bank's shareholders and equities				
1.1 Does the bank stipulate and implement a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	✓		1.1 To serve the Bank's shareholders, there is a message box and a complaint hotline under the Customer Service Center on the Bank's official website. The Bank has also designated contact person to specially handle shareholders' suggestions, inquiries and even disputes. In the event of litigation, it will be dealt with by the unit in charge according to the Bank's segregation of duties. In addition, the Bank has engaged a share administration agency to handle all share-related affairs; therefore, all shareholders' suggestions, doubts, or disputes shall be referred to the agency. For the Bank's subsequent actions, the agency will immediately notify the Bank of such suggestions, doubts or disputes as deemed relevant to the Bank's operations.	1.1 No difference
1.2 Does the bank keep track of the major controlling shareholders as well as their ownership structures?	✓		1.2 Based on the Bank's shareholders' register (after the book closure date) and the information on the changes of shareholding declared by the insiders and major shareholders according to regulations, the Bank has grasped its list of major shareholders which is disclosed on the Market Observation Post System (MOPS), the Bank's annual report and official website	1.2 No difference
1.3 Does the bank set up a fire wall and risk control mechanism to reduce the risks involved with the bank's related companies?	✓		1.3 The Bank has stipulated overseas Subsidiary Bank Management Guideline to regulate the business transactions between the Bank and overseas subsidiary banks. In case of transactions involving interested parties, it shall be conducted in accordance with the Bank's Operating Guideline for Interested Parties. Other Than Credit Extension Trading Guideline for Interest Parties and relevant regulations of the competent authorities.	1.3 No difference
2. Board of directors and its responsibilities				
2.1 Apart from the Remuneration Committee and Audit Committee, does the bank assembled other functional committees at its own discretion?		✓	2.1 At present, the Bank has lawfully instituted the Remuneration Committee and Audit Committee.	2.1 In the future, the Bank will institute various other functional committees in accordance with its actual operations.
2.2 Does the bank regularly evaluate the independence of CPAs?	✓		2.2 When the Bank appoints the CPA for attestation on financial statements, the Bank has made sure that none of their audit team members has commercial relationships with the Bank for significant financial benefits, which will probably affect their independence. During the appointment period, the Bank also, on a regular basis (at least once a year), carefully assesses the CPA's independence by the following criteria and submit an assessment report to the Audit Committee and the Board of Directors for their deliberations: a. The CPA does not have in his/her possession of the Bank's shares or have any relation with the Bank in terms of monetary loans, joint investment or shared interests. b. The CPA does not assume the post as the Bank's person responsible, Director, manager or employee. c. The CPA's behavior does not violate the "Professional Ethical Guidelines Communique No. 10: Integrity; Fairness; Objectivity and Independence" of the Taiwan CPA Association, ROC.	2.2 No difference
3. In the event the bank is a publicly listed or OTC-listed company, has the bank instituted a dedicated (or concurrent) corporate governance unit or personnel to be in charge of affairs relating to corporate governance (including but not limited to the provision of necessary data for Directors and Supervisors to execute their duties, administering matters relating to the Board of Directors' meetings and shareholders' meetings in accordance with law, administering company incorporation and change in incorporation, and producing minute books for the Board of Directors' and shareholders' meetings)?	✓		After the Bank modulated the organizational structure on September 28, 2018, the Acting SVP and Division Head of Secretariat Division was appointed to supervise Secretariat Division in handling corporate governance (in accordance with March 27, 2003 Letter No. TAI-TSAI-CHENG-SAN 0920001301 of Securities and Futures Commission under Ministry of Finance, stipulating the manager's qualification of possessing management experience for more than 3 years in the public company engaging in legal, conference logistics affairs, etc), including the following: (1) Administering matters relating to Board of Directors and shareholders' meetings in accordance with law. (2) Producing minute books for Board of Directors and shareholders' meetings. (3) Assisting the directors in their assuming office and continuing education (4) Providing the information required by the directors to execute business. (5) Assisting directors to follow the laws and regulations. (6) In charge of company registration and registration of change. (7) Other matters stipulated in the articles of incorporation or contract, etc The operation in 2018 was as follows: (1) Formulation and amendment of regulations relating to corporate governance. (2) Application for issuance of new shares on Sep. 14, 2018, registration of change in the location of juristic person shareholders, and registration of change in shares held by directors. (3) Conducting matters relating to the 2018 general shareholders' meeting in accordance with the law. (4) Produced minute book after the 2018 general shareholders' meeting and completed the report to the competent authority within the prescribed period. (5) Dealt with the relevant matters relating to Board of Directors, Board of Managing Directors, and Audit Committee, provided sufficient meeting materials, and produced meeting record before the deadline. (6) Assisted the directors in continuing education that all directors completed the required training hours in accordance with the rules. (7) Other matters stipulated in articles of incorporation.	No difference

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4. Does the bank establish a channel to communicate with stakeholders (including but not limited to shareholders, employees and customers, etc.)?	✓		<p>4.1 The Bank set up "Stakeholders' Dedicated Section" on the Bank's official website and provided the contact person to communicate with the general public, shareholders, employees, customers and suppliers to serve as communication channels with related stakeholders, and also addresses material issues that stakeholders are concerned about by way of compiling and producing annual CSR reports.</p> <p>4.2 When extending credit to stakeholders stipulated in the Banking Act, the Bank administers it in full compliance with the Banking Act and related regulations by the governing body. Furthermore, the Bank has formulated specific operating guidelines for transactions with stakeholders beyond credit extension so that all units within the Bank can abide by.</p>	No difference
5. Information disclosure				
5.1 Does the bank set up a website for the disclosure of relevant information on financial status and corporate governance?	✓		5.1 The Bank has disclosed financial reports, information as well as corporate governance such as complete annual reports and quarterly reports in sections "Investor Relations" and "Corporate Governance" on its official website.	5.1 No difference
5.2 Does the bank take any other methods to disclose its information (e.g. English website, a special group engaged on gathering and compiling the bank's information, the information announced through the bank's spokesman, and regular investor conference process disclosed on the bank's website)?	✓		<p>5.2a. The Bank has installed an English version on its official webpage to disclose the Bank's related business operating information. The general public and investors can inquire and browse online at all times.</p> <p>b. The Bank has established a spokesperson system to make external announcements about information relating to the Bank's finance and business operations in a timely fashion. Regarding material information, the Bank also designates dedicated unit to conduct and dedicated person of Secretariat Division to be responsible for making simultaneous disclosure in both Chinese and English on the MOPS website as required by regulations.</p> <p>c. Related information about the Bank's investor conference is disclosed on MOPS as well as the Bank's official website</p>	5.2 No difference
6. Does the bank have other relevant information for better understanding the Bank's corporate governance operation (such as employee rights, caring for employees, investors relationship, stakeholder rights, on-the-job education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, liability insurance policies purchased by the bank for directors and supervisors, and donations to political parties, interested parties, or charity organizations)?	✓		<p>6.1 Related charters about corporate governance</p> <p>a. The Bank has formulated the "Corporate Governance Practical Guidelines of the CHB" as the basis for pushing forward with matters relating to corporate governance.</p> <p>b. With regard to the Bank's Article of Incorporation, organizational regulations, the accountability allocation chart for business operation items and operating guidelines for various operations, the Bank has specifically set forth the authorities and accountability of managers at all levels, so that accountability can be established across various levels within the scope of authorities and accountability of the managers.</p> <p>6.2 Matters and items relating to the Board of Directors</p> <p>a. The implementation of directors diversification policy :</p> <p>I. The Bank has stipulated the directors diversification policy in its item 2, article 29, Corporate Governance Practice Principles which is disclosed on the Bank's official website. The implementation of Directors diversification is shown in the attached list</p> <p>II. The Bank's Board of Directors consists of 9 directors, including 1 female member (11.11%) and 3 independent directors (33.33%). The members have professional backgrounds in law, accounting, finance, marketing and technology with operational judgments, accounting and financial analysis, business management, risk management, crisis management, industrial knowledge, international market outlook and leadership and decision-making capabilities. These professional backgrounds and capabilities are effective in implementing the Bank's business operations and future development strategies.</p> <p>b. The situation with respect to the attendance of the Bank's Directors in Board of Directors' meetings and attendance of Independent Directors in the Audit Committee meetings has been disclosed on MOPS in accordance with regulations.</p> <p>c. The Bank's Directors proactively avoid Board of Directors' meeting agenda items involving his/her personal stake or the stake of the institution he/she represents, as well as refrain from taking part in related discussions and voting.</p> <p>d. The Bank has formulated the "Directions for the Enforcement of the Plan for On-the-job Education for Directors," and the on-the-job education status for the Directors is disclosed on MOPS and the Bank's official website in accordance with regulations.</p> <p>e. To further consummate the Bank's corporate governance and to reduce the risks assumed by the Bank, its Directors and managers associated with governance liability, the Bank has purchased the "Liability Insurance Policy for Directors, Supervisors and Managers" for its Directors and managers.</p>	No difference

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6. Does the bank have other relevant information for better understanding the Bank's corporate governance operation (such as employee rights, caring for employees, investors relationship, stakeholder rights, on-the-job education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, liability insurance policies purchased by the bank for directors and supervisors, and donations to political parties, interested parties, or charity organizations)?	✓		<p>6.3 Employees rights and interests, and caring for employees: Please refer to "V. Operations Overview F. Labor Relations a. Benefits, Trainin and Pensions Offered by the Bank, Retirement Scheme and Implementation Status, and Policies on Employer-employee Negotiations and the Protection of Workers."</p> <p>6.4 Investor Relations The Bank discloses finance, business operation and corporate governance information on the official website in time; it has an "Investor Relations Section" to provide investors with relevant information. In addition, the Bank has established a spokesperson system to make external announcements about information relating to the Bank's finance and business operations in a timely fashion. Regarding material information, the Bank also makes simultaneous disclosure in both Chinese and English on the MOPS in time.</p> <p>6.5 Stakeholder Rights Please refer to this table "4. Does the bank establish a channel to communicate with stakeholders"</p> <p>6.6 Risk management policy and its implementation a. In order to build up more professional and complete risk management function, the Bank has instituted three risk management divisions in the Credit Management Division, Risk Management Division and Loan Asset Management Division: (1) Credit Management Division is in charge of reviewing credit extension cases, as well as managing and maintaining the e-Loan automated credit system ( including the management system for credit checking, corporate/customer lending, collateral and the credit review management system), in order to rigidify the procedures for credit checking and extension; (2) Risk Management Division is in charge of formulating policies against integrated risks, credit risks, market risks and operational risks, as well as risk management; (3) With regard to the control and management of overdue loans, collections and bad debts as well as the management of the collecting operation for non-performing loans (including the loan asset management system), Loan Asset Management Division can faithfully enforce them in accordance with regulations. b. The Bank has instituted the Risk Management Committee, whose major duties include the assessment and supervision of the Bank's risk-bearing capacity and the current situation of assumed risks, deciding on the responding strategy to risks and compliance with risk management procedures, as well as submitting quarterly risk management reports to the Board of Directors. The Bank's risk management policy is subject to review and discussion by the Risk Management Committee, and shall be enforced after approval by the Board of Directors.</p> <p>6.7 Customer policy implementation a. In order to protect consumers' interests by treating them fairly and reasonably, and establish a corporate culture that values consumer protection, the Bank has formulated and implemented the "Guidelines for Fair Treatment to CHB's Customers," "Policies to Protect CHB's Financial Consumers," and "Guidelines for CHB to Conduct Protection for Financial Consumers" in accordance with the "Principles for Fair Treatment to Customers by Financial Service Providers," "Financial Consumer Protection Act" and its relevant subordinate laws, which have been promulgated by FSC. The Bank has also requested by letter all its personnel to follow and put into practice the abovementioned guidelines and policies when providing financial products and services to customers to strengthen the consumers' interests and benefit the Bank's sustainable development b. The Bank has established a customer call center providing consumers 24/7 consulting service. In addition, a channel for the filing of grievances has also been established to handle various inquiries and demands from consumers to protect their rights.</p> <p>6.8 Donations to political parties, stakeholders, and charity organizations a. Donations to political parties: None. b. Donations to stakeholders: None. c. Donations to charity organizations: Please refer to "V. Operations Overview C. Corporate Responsibility and Moral Behavior b. Actively participated in charity activities and continuously supporting underprivileged groups."</p>	No difference
7. With respect to the results of annual corporate governance evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved. The Bank was evaluated as 6%-20% among Taiwan listed companies of the 4 <sup>th</sup> Corporate Governance Evaluation in 2018. To strengthen corporate governance, the Bank has conducted an active review and improvements of the failed indicators as shown in the results of the 4 <sup>th</sup> Corporate Governance Evaluation. The improvements are as follows: a. The policy on the diversity of board members has been established and the diversification policy implementation has been di closed in the annual report and the official website of the Bank b. The Bank continued to strengthen the relevant internal control system operations, and strived to comply with relevant laws and regulations.				

